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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

INDIANA UTILITY
REGULATORY COMMISSION

IN RE THE MATTER OF THE PETITION)
OF KINGSFORD HEIGHTS MUNICIPAL)
WATER UTILITY FOR A NEW) CAUSE 43502-u
SCHEDULE OF RATES AND CHARGES)

JOINT STIPULATION AND SETTLEMENT AGREEMENT

This Joint Stipulation and Settlement Agreement ("Settlement Agreement") is entered into this 21st day of November, 2008, by and between Kingsford Heights Municipal Water Utility ("Kingsford Heights" or "Petitioner") and the Office of the Utility Consumer Counselor ("OUCC"), who stipulate and agree for purposes of settling all matters in this Cause that the terms and conditions set forth below represent a fair and reasonable resolution of all issues in this Cause, subject to their incorporation in a final Indiana Utility Regulatory Commission ("Commission") Order without modification or the addition of further conditions that may be unacceptable to either party. If the Commission does not approve the Settlement Agreement in its entirety and incorporate the conclusions herein in its final Order, the entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the parties.

Terms and Conditions of Settlement Agreement

1. **Requested Relief.** On May 27, 2008 Petitioner initiated this Cause by filing a small utility application with the Commission requesting authority to increase its rates and charges for water service by 36.30%.
2. **Settlement.** Through analysis, discussion, and negotiation, as aided by their respective technical staff and experts, Petitioner and the OUCC have agreed on terms and

conditions set forth herein that resolve all issues between them in this Cause.

3. **Revenue Requirement and Rates.** The parties agree that Petitioner should be authorized to increase its rates and charges for water utility service to reflect ongoing net revenue requirements in an amount of \$261,060, resulting in an annual increase of \$65,436 or thirty four point four four percent (34.44%) over Petitioner's existing rates and charges. The prefiled accounting schedules of OUCC witness Riceman, attached to the OUCC report in this case and incorporated into this Settlement Agreement by reference, reflect the settlement reached herein and document the changes to Petitioner's revenue requirements.

4. **Settlement Terms.** As described in OUCC's report and Petitioner's witness Miller's settlement testimony, the parties have agreed as follows:

- a. Petitioner's authorized revenue requirement was arrived at by OUCC accepting the majority of Petitioner's proposed adjustments, then Petitioner accepting several OUCC adjustments as detailed on pages 8-12 of OUCC's report.
- b. Petitioner will take steps to address its unaccounted-for water loss by replacing the treatment plant master meter, calibrating the utility's well meters and the grade school meter, more accurately tracking hydrant flushing water and filter backwash water and removing them from water pumped to distribution amounts, instituting a 15-year meter replacement program of its residential meters, exploring the potential benefits of a partial or full leak survey and reporting its progress and decision-making regarding unaccounted-for water in its IURC Annual Report. Additional details can be found in pages 5-8 of the OUCC report.

- c. The parties have agreed to restructure Petitioner's current rate design. Evidence indicated that approximately half of Petitioner's customers were paying \$23.46 per month for 6,000 gallons, but were using 3000 gallons or less, thereby significantly subsidizing higher-volume users. Working collaboratively, Petitioner and OUCC created a simplified, revenue-neutral rate structure that eliminates unused rate blocks, reduces or leaves unchanged the per-thousand-gallon charge for every increment above 3,000 gallons and generates (pre-rate case) a 10.49% reduction for customers using less than 3,000 gallons per month. For a further explanation of the proposed new rate structure, see Petitioner's witness Miller's testimony and exhibits.
- d. The parties will jointly prepare and submit a proposed order to the Commission.

5. **Admissibility and Sufficiency of Evidence.** The parties agree to stipulate to the admission of evidence of Petitioner and the OUCC into the record of this proceeding without objection, and agreed that such evidence constitutes substantial evidence sufficient to support the Settlement Agreement and provides an adequate evidentiary basis upon which the Commission can make all findings of fact and conclusions of law necessary for the approval of this Settlement Agreement as filed.

6. **Non-Precedential Effect of Settlement.** The parties agree that the facts in this Cause are unique and all issues presented fact specific. Therefore, the Settlement Agreement shall not constitute nor be cited as precedent by any person or deemed an admission by any party in any other proceeding except as necessary to enforce its terms before the Commission or any

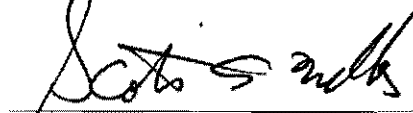
court of competent jurisdiction. This Settlement Agreement is solely the result of compromise in the settlement process, except as provided herein, is without prejudice to and shall not constitute a waiver of any position that either party may take with respect to any issue in any future regulatory or non-regulatory proceeding.

7. **Authority to Execute.** The undersigned have represented and agreed that they are fully authorized to execute the Settlement Agreement on behalf of their designated clients who will hereafter be bound thereby.

8. **Approval of Settlement Agreement in its Entirety.** As a condition of this settlement, the parties specifically agree that if the Commission does not approve this Joint Stipulation and Settlement Agreement in its entirety and incorporate it into the Final Order as provided above, the entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the parties. The parties further agree that in the event the Commission does not issue a Final Order in the form that reflects the Agreement described herein, the matter should proceed to be heard by the Commission as if no settlement had been reached unless otherwise agreed to by the parties in a writing that is filed with the Commission.

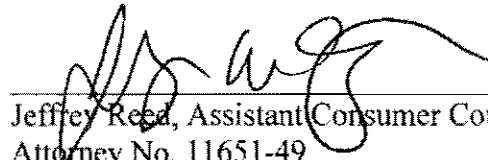
9. **No Other Agreements.** There are no agreements in existence between the parties relating to the matters covered by this Settlement Agreement that in any way affect this Settlement Agreement.

**KINGSFORD HEIGHTS MUNICIPAL
WATER UTILITY**



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**INDIANA OFFICE OF THE UTILITY
CONSUMER COUNSELOR**

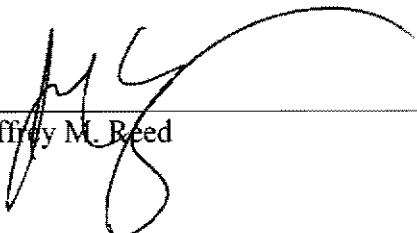


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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing "Stipulation and Settlement Agreement" was served upon the following by electronic mail this 21st day of November, 2008:

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